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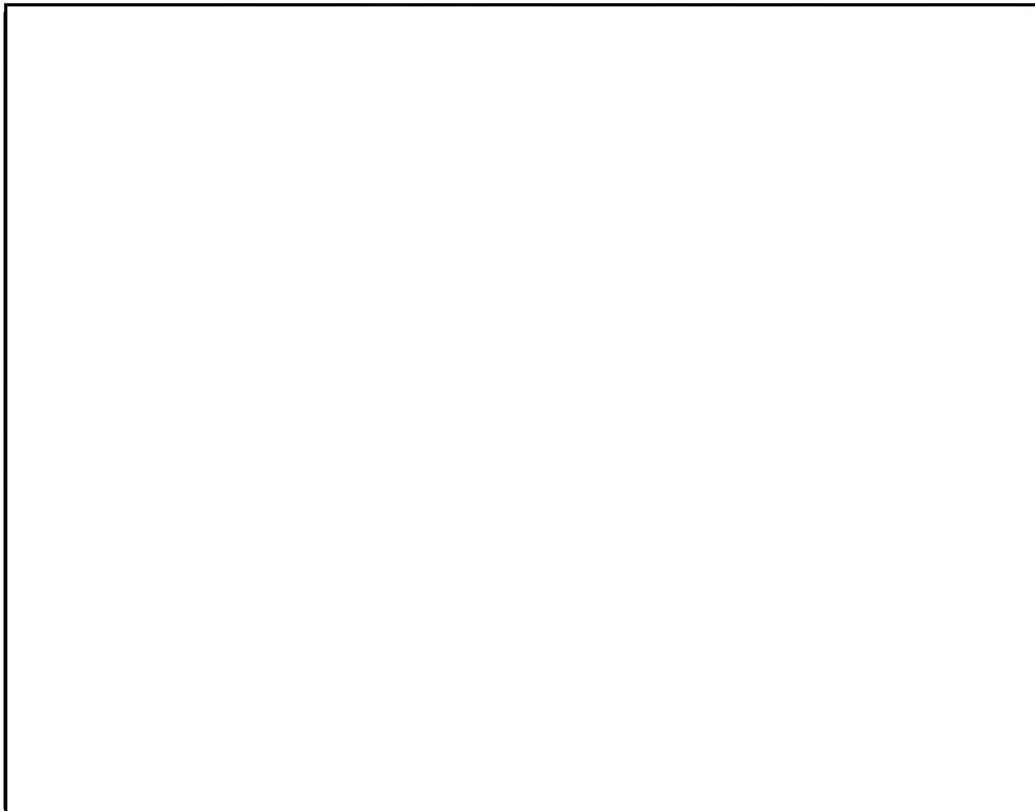
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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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1. BRITISH SEEKING NEW NATO MILITARY DOCTRINE

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Britain's proposal for a new NATO strategy review stems from its own current defense reappraisal, and reflects the general uncertainty in Europe over the post-sputnik defense of the Continent.

The permanent secretary of the British Defense Ministry suggests that a committee composed of the US-UK-France military Standing Group plus three civilians not representing governments, and possibly headed by Secretary General Spaak, be set up to study revision of strategy and missions "so that they make sense and are economically feasible." The US mission to NATO notes that the main reason for bringing in nongovernmental participation would be to arouse public support for some new concept. Last spring many members expressed a need for a high-level statement outside normal NATO channels to convince the public of the consistency and purpose of Western defense plans. The mission believes, however, that NATO members other than Britain are now satisfied with present guidance and intra-NATO review.

Such a special strategy review might, however, provide the answer to the Macmillan government's search for a way to make reversal of its own defense policy more palatable to British public opinion. The government evidently is considering reducing its reliance on a nuclear deterrent of its own.

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2. DEVELOPMENTS IN ANGLO-EGYPTIAN RELATIONS

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Some officials in the British Foreign Office are now questioning the policy of ostracizing Egyptian President Nasir, particularly in view of the increased

Soviet threat in the Middle East and Nasir's continuing position as the most active native threat to British interests in the area. A high-level Foreign Office official told the American embassy recently that he personally thought the time had arrived to "wipe the slate clean of past events." He reasoned that the West's deliberate withdrawal had already left the USSR a free hand in Egypt and Syria for too long and that the West should switch to active competition.

London has intimated that diplomatic relations will be resumed if Anglo-Egyptian financial talks in Rome are successful. Differences appear to have narrowed sufficiently for an agreement to be concluded shortly, should both governments decide on political grounds to do so. Nasir appears eager for the agreement, which would largely unblock Egyptian sterling balances in return for a compensation payment by Cairo of about \$84,000,000 for seized British property.

Resumption of diplomatic relations would presumably be interpreted in the Middle East as a reversal of British policy toward Egypt. However, in an effort to minimize the damage to relations between the West and friendly Middle East governments and to the internal position of these governments, London will probably continue to assert that its basic policy toward Nasir has not changed, while making changes very gradually.

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3. USSR OFFERS TO AID EGYPTIAN ECONOMY

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Premier Bulganin's announcement on 19 November that the USSR has agreed to "help Egypt economically and technically in advancing its national economy" suggests that the USSR will attempt to fill a major gap in the Soviet-Egyptian relationship. Although the USSR over the last two years has considered Egypt the principal lever of Soviet policy in the Middle East, it has not given Egypt any broad-scale economic assistance. According to Egyptian press reports, the USSR has offered Egypt a credit equivalent to \$175,000,000.

The timing of the offer indicates that it is designed to exploit Egypt's mounting concern over its internal problems, and to forestall a re-establishment of commercial ties with the West. In thanking Bulganin for appreciating Egypt's "problems and difficulties," Egyptian Defense Minister Amir, who has been touring the USSR, spoke at great length on Soviet-Egyptian friendship, which he declared is "worth more than millions of pounds sterling."

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4. USSR'S THREAT TO BOYCOTT UN DISARMAMENT TALKS

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The USSR's announcement that it will boycott future UN Disarmament Commission negotiations probably was intended to force a deadlock on this issue which could be used to bolster a call prior to the Paris NATO meeting for a high-level East-West conference to discuss disarmament and other world problems. Although the USSR has in the past participated in international negotiations without parity in representation, its present intransigence based on the latest demonstrations of military and technological advances expresses the growing Soviet insistence that in the future Communist nations must be accorded at least equal representation in such meetings.

Soviet Deputy Foreign Minister Kuznetsov stated that the Soviet Union's absence from future Disarmament Commission meetings would not prevent further negotiations at a new summit conference or through diplomatic channels. In an interview on 14 November, Khrushchev had stated that the Soviet proposal for a new UN disarmament commission composed of all UN members "does not preclude other forms and methods of talks: bipartite, tripartite, and so forth."

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The Soviet leaders may believe they could use a temporary boycott of UN disarmament talks to good advantage in exploiting the political impact of their scientific gains to increase pressure on the West for concessions to Soviet views on disarmament.

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5. YUGOSLAV-SOVIET RELATIONS

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The Soviet-Yugoslav rapprochement reached this summer and fall may be deteriorating, although Belgrade still appears to be following the "wait-and-see" policy it adopted following Zhukov's ouster.

In the strongest statement of Yugoslav views on the development of socialism since the polemical exchanges with the USSR last winter, the 7 November issue of the party's weekly theoretical journal, Komunist, expounded views in marked contrast to those of Khrushchev in his anniversary speech and attacked "people" who try dogmatically to generalize their own experience as a model for other countries.

Despite the fact that Tito's ailments had prevented him from seeing Soviet Ambassador Zamchevsky subsequent to the "Zhukov affair," the Yugoslav Foreign Secretary informed US Ambassador Riddleberger on 19 November that he could confer with Tito at Brioni next week.

Yugoslavia's failure to attend a 14-nation conference of Communist party historians in Prague from 19 to 23 November suggests that Belgrade will continue to avoid meetings which would tie it to the bloc.

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6. IRAQ URGES JORDAN TO ASK FOR IRAQI TROOPS

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Former Iraqi Prime Minister Nuri Said says he has sent a message through official channels urging Jordan's King Hussayn to ask for a brigade of Iraqi

troops which, in Nuri's view, would have a "stabilizing and encouraging effect" on the Jordanian public. Nuri said he had cleared this message with King Faysal and Iraqi Prime Minister Jawdat, and that he had assured Hussayn that the Iraqi government would at once respond favorably to such a request. As of 20 November, no reply had been received from Hussayn.

Nuri may have acted on British inspiration. Selwyn Lloyd has felt that foreign intervention might be needed in the Jordanian situation. However, Iraqi army authorities, who apparently have not been consulted, might well be reluctant to undertake such a move, involving continued living in the field for troops, so soon after the field maneuvers in northern Iraq and before the Iraqis have developed arrangements for their own or other friendly air cover.

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only one battalion is stationed at pumping station H-3, the supply point nearest the Jordanian border. The Iraqis required about two weeks for the move the last time they sent significant reinforcements to H-3.

Recent statements by other Iraqi officials, including the prime minister and the foreign minister, have indicated that the Iraqis would seek specific approval of King Saud before making a military move. Such a move may be discussed by Saud and Jordanian Foreign Minister Rifai, who is scheduled to fly to Saudi Arabia on 21 November.

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8. CHOU EN-LAI'S STATEMENT ON
TAIWAN'S "LIBERATION"

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Chou En-lai, in an interview with a West German correspondent on 19 November, reiterated his offer to recognize Chiang Kai-shek as "director of Taiwan" if the Chinese Nationalists accept "peaceful liberation." This may herald new emphasis on liberation propaganda aimed at Taiwan. Preoccupied with domestic problems and bloc affairs, Peiping has devoted scant attention to the subject for some months.

Reflecting the regime's scorn for Nationalist military capabilities, Chou said he hoped the Nationalists would attempt an attack on the mainland because Peiping could then "solve the problem of Taiwan more quickly." He declared that Taiwan's "liberation" could have been solved "very speedily" if it were not for the island's "occupation" by American military forces.

Asserting that America's policy on the China question is changing to support the "two Chinas" concept, Chou stated that this is unacceptable both to Peiping and to Taipei. He declared Communist-Nationalist negotiations and the return of the island to Peiping's control are only "a matter of time."

In recent radio propaganda to Taiwan, Peiping has propounded the line that Soviet missile successes will reduce the reliance the Nationalists can place on continuing US support, particularly since American military bases "will lose their significance."

While Chiang Kai-shek himself has never shown any interest in a deal with Peiping and has held firmly to his goal of return to the mainland, dissatisfaction among Nationalist middle-level officials, younger army officers, white-collar workers, and intellectuals over the lack of opportunity for advancement on Taiwan makes these groups susceptible to Communist subversion.

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10. FINLAND'S CABINET CRISIS

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In an apparent effort to force a solution of Finland's five-week-old cabinet crisis, President Kekkonen has instructed Prime

Minister Sukselainen of the Agrarian party to investigate the possibility of a six-party government, including the Communist-front Finnish People's Democratic League (SKDL). Over the week end Sukselainen had attempted to form a four-party government, excluding the Conservatives and the SKDL, but had failed--apparently because of the split in the Social Democratic party between the party leadership and the trade-union hierarchy.

It is unlikely that the democratic parties will agree to the inclusion of the SKDL--a proposal which Kekkonen had previously told the American ambassador he might make as a tactical move, apparently to shock party leaders out of their bickering. There is, however, less and less possibility for a normal party government, since the various parties are maneuvering for advantage in the July 1958 parliamentary elections and no one is eager to assume responsibility for the drastic measures needed to curb inflation. The most likely outcome is a "nonpolitical" caretaker government of professional experts to hold office until the July elections.

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12. WIDESPREAD STRIKE IN CEYLON

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A sudden widespread and apparently growing strike involving 23 unions and up to 80,000 workers in Colombo and other parts of Ceylon has closed down power and light installations, railways, telegraph services, and newspapers, and may seriously embarrass the Bandaranaike government before it is settled.

Trotskyite unions are reported to be staging the strike to support demands for higher pay and better working conditions. N. M. Perera, leader of the opposition Trotskyite Nava Lanka Sama Samaja party, has for some time threatened a general strike if workers' demands are not met by the government. Pieter Keuneman, leader of the orthodox Communist party, controls many municipal workers' unions and may be tempted to throw his support to the strikers.

Prime Minister Bandaranaike, who held a three-hour emergency cabinet meeting on 20 November and talked to union leaders, has little to offer the workers. His government faces serious financial and economic problems, including a drought and a new and less favorable rice-rubber contract with Communist China. Increased wages to urban workers might start a demand by the far more numerous tea and rubber estate workers which the government would be even less able to meet.

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